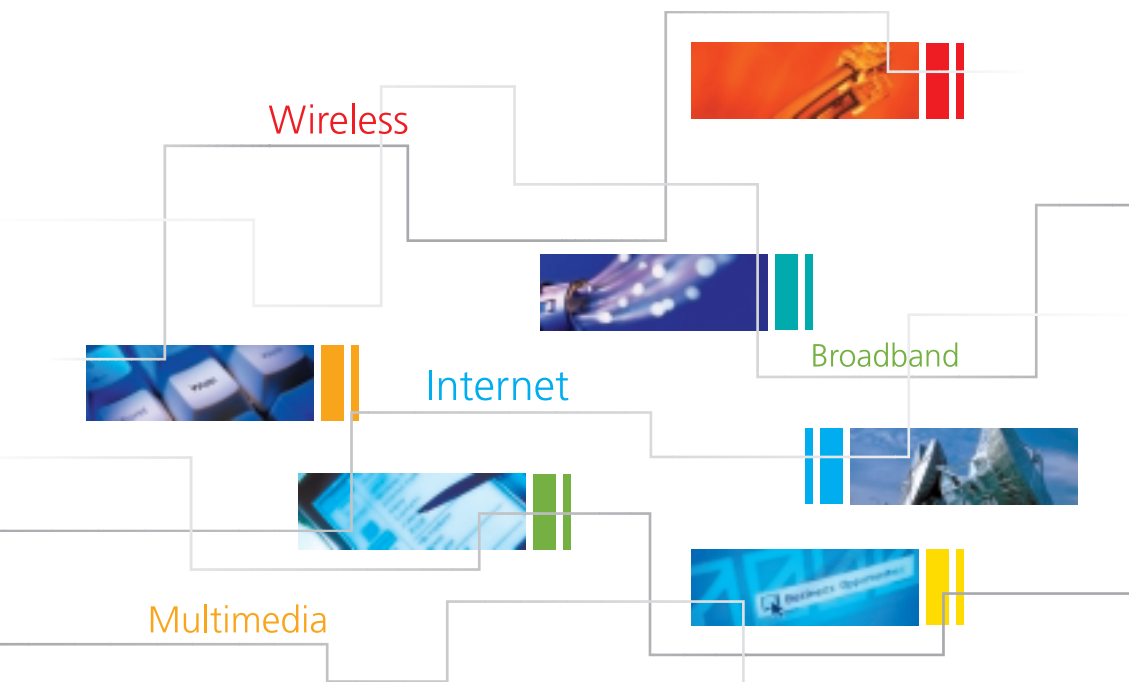


CYBER ON-AIR GROUP COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

First Quarterly Report 2004/05



CYBER ON-AIR
創博數碼科技

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Cyber On-Air Group Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The board of directors (the "Board") of Cyber On-Air Group Company Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 30 June 2004, together with the comparative unaudited figures for the corresponding period in 2003 as follows:

UNAUDITED CONSOLIDATED RESULTS

FOR THE THREE MONTHS ENDED 30 JUNE 2004

		Three months ended	
		30 June	
	<i>Notes</i>	2004 HK\$'000	2003 <i>HK\$'000</i>
Turnover	2	3,851	4,552
Cost of sales		(2,696)	(3,562)
Gross profit		1,155	990
Interest income		9	3
Other revenue		–	3
Depreciation and amortisation		(313)	(597)
Advertising and promotion expenses		(17)	(22)
General and administrative expenses		(4,115)	(3,871)
Amortisation of goodwill		(172)	(1,851)
Loss from operations		(3,453)	(5,345)
Finance costs		(580)	(271)
Loss before taxation		(4,033)	(5,616)
Taxation	4	–	–
Loss attributable to shareholders		(4,033)	(5,616)
Loss per share – basic	6	HK\$(0.03)	HK\$(6.75)

Notes:

1. Basis of preparation

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. They have been prepared under the historical cost convention.

Certain comparative figures have been reclassified to conform with the current period's presentation.

2. Turnover

The Group's turnover comprises:

Sales of goods
 Revenue from short-term contracts
 Services income
 – Continuing operations
 – Discontinuing operations (*Note 3*)

Three months ended	
30 June	
2004	2003
HK\$'000	HK\$'000
2,399	1,987
1,450	2,358
2	13
–	194
3,851	4,552

3. Discontinuing operations

The content licensing and recruitment services operations were discontinued from 30 September 2003 and 31 March 2004 respectively. The results of these operations for the three months ended 30 June 2004, together with the comparative figures for the corresponding period in 2003 were as follows:

	Content licensing Three months ended 30 June		Recruitment services Three months ended 30 June	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover				
– External sales	–	–	–	194
– Inter-segment sales	–	–	–	15
	–	–	–	209
Operating costs	–	–	–	(197)
Profit before taxation	–	–	–	12
Taxation	–	–	–	–
Profit after taxation	–	–	–	12

4. Taxation

No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the three months ended 30 June 2004 (For the three months ended 30 June 2003: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operated, based on the existing legislation, interpretations and practices in respect thereof.

No provision for deferred taxation has been recognised for the three months ended 30 June 2004 and the corresponding period in 2003 in respect of the tax losses due to the unpredictability of future profit streams.

5. Dividend

The Board does not recommend the payment of any dividend for the three months ended 30 June 2004 (For the three months ended 30 June 2003: Nil).

6. Loss per share

The calculation of the basic loss per share for the three months ended 30 June 2004 is based on the unaudited net loss attributable to shareholders of approximately HK\$4,033,000 (For the three months ended 30 June 2003: HK\$5,616,000) and the weighted average number of 135,424,854 (For the three months ended 30 June 2003: 831,447) ordinary shares in issue during the period. Loss per share for the three months ended 30 June 2004 and the corresponding period in 2003 has been adjusted for the share consolidation of every 100 ordinary shares of HK\$0.01 each into one share of HK\$1.00 each, which became effective on 22 April 2004.

No diluted loss per share has been presented for the three months ended 30 June 2004 and the corresponding period in 2003 as the Company has no dilutive potential shares.

7. Reserves

	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
The Group				
At 1 April 2003	–	53,022	(90,616)	(37,594)
Loss for the period	–	–	(5,616)	(5,616)
	<u>–</u>	<u>53,022</u>	<u>(96,232)</u>	<u>(43,210)</u>
At 30 June 2003	–	53,022	(96,232)	(43,210)
At 1 April 2004	–	53,022	(126,168)	(73,146)
Issue of shares at premium by the Company as a result of the settlement of loan notes, including unpaid accrued interest	40,569	–	–	40,569
Loss for the period	–	–	(4,033)	(4,033)
	<u>40,569</u>	<u>53,022</u>	<u>(130,201)</u>	<u>(36,610)</u>
At 30 June 2004	40,569	53,022	(130,201)	(36,610)

FINANCIAL REVIEW

The Group's turnover for the three months ended 30 June 2004 was approximately HK\$3.9 million, a decrease of approximately 15.4% as compared with approximately HK\$4.6 million for the corresponding period in 2003 whilst the gross profit increased approximately 16.6% from approximately HK\$1.0 million in the last corresponding period to HK\$1.2 million for the period under review.

Operating loss for the three months ended 30 June 2004 was dropped to approximately HK\$3.5 million, compared with approximately HK\$5.3 million in the last corresponding period. The decrease in the operating loss was mainly attributable to the decrease in amortisation of goodwill and the effective cost control by management.

During the three months ended 30 June 2004, the staff cost and the rental expenses were reduced by approximately 46.9% and 73.1% respectively, compared with the last corresponding period.

BUSINESS REVIEW

1. Wireless application and network solutions

Wireless application solutions are applications that are incorporated with wireless system including mobile networks or wireless local area networks ("WLAN") whereas network solutions include solutions for computer networks, data communication networks, WLAN networks and synchronization networks.

Further to obtaining the distribution rights for WLAN security system vendor, Vernier Networks, the Group completed a few projects during the three months ended 30 June 2004. For the three months ended 30 June 2004, revenue derived from the application solutions and network solutions was approximately HK\$2.4 million, compared to approximately HK\$2.2 million in the last corresponding period. The revenue derived from these businesses are relatively stable.

After the International ICT Expo 2004 organised by the Trade Development Council in April 2004, the awareness of WLAN security system has been aroused amongst the end users. The Group's management believes that the wireless security management solutions will have a potential and continuing development in the coming months. The business of WLAN security system will gradually boost.

2. Project and engineering services

For the three months ended 30 June 2004, the Group completed certain projects for Kin Ming Estate, Golden Bauhinia project, Tsuen Wan Plaza and Victoria Peak, revenue derived from the provision of project and engineering services was approximately HK\$1.5 million.

The Group had secured a few maintenance contracts during the period. Also, the Group had been selected by one of the equipment vendors as the contractor for the installation of microwave system at both hill top and roof top of buildings. The Group will continue to look for other opportunities to expand the operations of project and engineering services.

3. E-business, IT and multimedia services

The on-line content provider operation is no longer a foundation business for the Group and the repair and maintenance services for the customers are still provided by the Group.

FUTURE OUTLOOK

The Group foresees that the mobile operators will speed up their process in the setup of 3G as well as 2.5G base stations in the second half of the year due to the launch of 3G service by Hutchison 3G HK Limited in order to maintain the competition.

Since the Group has been improving its exposure, the Group has considered to look for resellers with domain expertise to resell the network solution systems that are distributed by the Group so as to increase the revenue.

During the period, the subscription of 120,000,000 shares of HK\$1.00 each in the share capital of the Company by Mediastar International Limited, a wholly-owned subsidiary of Chow Tai Fook Enterprises Limited was completed on 30 April 2004 (the "Subscription") and the placing of 80,000,000 shares of HK\$1.00 each in the share capital of the Company was completed on 5 May 2004 (the "Placing"). Further particulars of the Subscription and the Placing are set out in the shareholders' circular of the Company dated 6 April 2004.

As stated in the shareholders' circular of the Company dated 6 April 2004, the total estimated net proceeds derived from the Subscription and the Placing were approximately HK\$114 million and HK\$76 million respectively. As a result of the Placing and the Subscription, the Company would have sufficient funds to make opportunistic decisions to take up business opportunities that may arise in the future.

On 20 July 2004, the Company has entered into an investment agreement to invest US\$5,000,000 (approximately HK\$39,000,000) in a motion picture currently titled "Lovewrecked". This has been paid by the Company out of the proceeds received from the Subscription.

In light of the recovery of the global economy, it is the intention of the Directors to explore the market, where certain sectors are expected to have potential growth in the long run, which may include business activities other than the Group's principal activities.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2004, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company or the Stock Exchange, were as follows:

Name of Directors	Number of ordinary shares of HK\$1.00 each in the share capital of the Company					Total	Approximate percentage of the issued share capital of the Company
	Personal interest	Family interest	Corporate interest	Other interest			
Choi Wing Kin	1,329,600	–	–	–	–	1,329,600	0.65%
So Kam Wing	91,200	–	–	–	–	91,200	0.04%
Lo Lin Shing, Simon	–	–	364,800	–	–	364,800	0.18%
			(Note)				

Note:

These shares are held by Wellington Equities Inc., which is wholly-owned by Mr. Lo Lin Shing, Simon.

Save as disclosed above, none of the Directors or the chief executive has any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company or the Stock Exchange as at 30 June 2004.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

So far as is known to the Directors or chief executive of the Company, as at 30 June 2004, shareholders (other than the Directors or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholders	Capacity	Number of ordinary shares of HK\$1.00 each in the share capital of the Company	Approximate percentage of the issued share capital of the Company
Mediastar International Limited ("Mediastar")	Beneficial owner	120,000,079	58.58%
Chow Tai Fook Enterprises Limited ("CTF")	Interest of a controlled corporation	120,000,079 (Note 1)	58.58%
Cheung Chung Kiu	Beneficial owner	19,000,000	9.28%
Young China Investments Ltd.	Beneficial owner	19,000,000	9.28%
Chow Shiu Leung	Interest of a controlled corporation	19,000,000 (Note 2)	9.28%

Notes:

- (1) Mediastar is wholly-owned by CTF. Accordingly, CTF is deemed to be interested in 120,000,079 shares of the Company held by Mediastar under the SFO.
- (2) Young China Investments Ltd. is wholly-owned by Mr. Chow Shiu Leung. Accordingly, Mr. Chow Shiu Leung is deemed to be interested in 19,000,000 shares of the Company by Young China Investments Ltd. under the SFO.

Save as disclosed above, as at 30 June 2004, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES

A pre-IPO share option scheme ("Pre-IPO Scheme") was adopted pursuant to a resolution passed by the board of directors of the Company on 17 July 2000. Under the Pre-IPO Scheme, the board of directors may, at its discretion, grant options to employees, directors and consultant of the Group to subscribe for shares in the Company.

No options have been granted, exercised or cancelled during the three months ended 30 June 2004 and there were no share options outstanding under the Pre-IPO Scheme as at 30 June 2004.

In addition, a post-IPO share option scheme (the "Post-IPO Scheme") was adopted pursuant to a resolution passed by the broad of directors of the Company on 17 July 2000. Under the Post-IPO Scheme, the board of directors may, at its discretion, grant options to full-time employees, including executive directors of the Company and its subsidiaries to subscribe for shares in the Company.

No options have been granted, exercised or cancelled during the three months ended 30 June 2004 and there were no share options outstanding under the Post-IPO Scheme as at 30 June 2004.

COMPETING BUSINESS

During the three months ended 30 June 2004, none of the directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) has any interests in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group.

AUDIT COMMITTEE

The Company has established an audit committee in July 2000 with written terms of reference in compliance with the requirements as set out in rules 5.28 to 5.30 of the GEM Listing Rules. The audit committee has two members, comprising two independent non-executive directors, Mr. Cheung Hon Kit and Mr. Ng Wai Hung. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group. The audit committee has reviewed the draft of this quarterly report and has provided advice and comments thereon.

BOARD PRACTICES AND PROCEDURES

The Company has complied with broad practices and procedures as set out in rules 5.34 to 5.45 (where applicable) of the GEM Listing Rules during the three months ended 30 June 2004.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the three months ended 30 June 2004, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
Choi Wing Kin
Executive Director

Hong Kong, 11 August 2004